

## Message Text

CONFIDENTIAL

PAGE 01      GEORGE 00100 171124Z  
ACTION ARA-10

INFO OCT-01 ISO-00 AID-05 CIAE-00 COME-00 EB-07 FRB-03  
    INR-07 NSAE-00 USIA-06 TRSE-00 XMB-02 OPIC-03 SP-02  
    CIEP-01 LAB-04 SIL-01 OMB-01 /053 W  
    -----171127Z 064395 /21

P R 141945Z JAN 77  
FM AMEMBASSY GEORGETOWN  
TO SECSTATE WASHDC PRIORITY 4032  
INFO AMEMBASSY BRASILIA  
AMEMBASSY BRIDGETOWN  
AMEMBASSY CARACAS  
AMEMBASSY KINGSTON  
AMEMBASSY PARAMARIBO  
AMEMBASSY PORT OF SPAIN

C O N F I D E N T I A L GEORGETOWN 0100

E.O. 11652: GDS  
TAGS: EFIN, EAID, GY  
SUBJECT: THE GOG BUDGET -- EITHER WAY IN 1977

REF: GEORGETOWN 0011

PREFACE: IN UNDERSTANDING THE GOG BUDGET FOR 1977, IT IS  
IMPORTANT THAT THE FOLLOWING DEFINITIONS ARE CLEARLY  
UNDERSTOOD AS THEY PERTAIN TO ESTIMATED GOG EXPENDITURES  
IN 1976 AND 1977. "1977P" AS STATED IS THE PROPOSED 1977  
BUDGET CURRENTLY BEING CONSIDERED FOR APPROVAL BY THE  
PARLIAMENT OF GUYANA. "1976A" IS THE 1976 BUDGET APPROVED  
BY THE PARLIAMENT IN JANUARY, 1976. "1976R" IS THE 1976  
BUDGET, AS REVISED UPWARDS FIVE TIMES DURING THE PAST YEAR.  
"1976R" IS ALSO THE LATEST ESTIMATE FOR ACTUAL GOG  
EXPENDITURES AND REVENUE DURING 1976. END PREFACE.

SUMMARY: MOST DISCUSSIONS ON THE 1977 BUDGET  
(1977P) ARE BASED ON A 1977P/1976R COMPARISON (INCLUDING  
CONFIDENTIAL

CONFIDENTIAL

PAGE 02      GEORGE 00100 171124Z

THE 1977 BUDGET SPEECH). THIS COMPARISON HAS LED MANY  
OBSERVERS (PRIMARILY THE GOG) TO DESCRIBE 1977P AS AN  
"AUSTERITY" BUDGET, GOVERNED BY CAUTIOUS PLANNING  
AND DECREASED EXPENDITURES. WITH A FEW EXCEPTIONS, A  
1977P/1976A COMPARISON REPRESENTS A SLIGHTLY LESS AUSTERE  
PICTURE. END SUMMARY.

1. TOTAL EXPENDITURES AS ESTIMATED IN 1977P (G\$539 MILLION) ARE GIVEN AS G\$256 MILLION LESS THAN EQUIVALENT EXPENDITURES IN 1976R. WHEN COMPARED TO 1976A, ESTIMAED EXPENDITURES FOR 1977P ARE DOWN ONLY G\$125 MILLION. THUS, MUCH OF THE DECREASED SPENDING NOTED IN THE 1977 BUDGET SPEECH CAN BE ATTRIBUTED TO ACCELERATED SPENDING IN 1976.

2. ON THE REVENUE SIDE, REVENUES FOR 1977 ARE EXPECTED TO TOTAL G\$473.7 MILLION. ESTIMATES GIVEN IN 1976R PUT REVENUE FOR 1976 AT G\$497.6 MILLION WHILE 1976A PROJECTED A LESSER G\$449.8 MILLION.

3. 1977P ESTIMATES A 1977 DEFICIT OF G\$65 MILLION AS COMPARED TO 1976 ESTIMATED DEFICITS OF G\$297.6 MILLION GIVEN BY 1976R AND G\$214 MILLION BY 1976A.

4. GUYANA IS NOT IN THE SAME POSITION THIS YEAR THAT IT WAS IN 1976. THE "SPENDING SPREE" OF 1976 (1976R - 1976A) RESULTED FROM AVAILABLE RESERVES. BUT THESE RESERVES WERE EXHAUSTED LAST YEAR. ALSO CONSIDERING THE PAST HISTORY OF BUDGET REVISIONS, A MORE ACCURATE PICTURE OF GOG BUDGETARY DECREASES (EXPENDITURE) AND INCREASES (REVENUE), AND THEREFORE TO SOME EXTENT PRIORITIES, CAN BE BETTER OBTAINED FROM A COMPARISON OF THE PROPOSED 1977 EXPENDITURES (1977P) WITH THE APPROVED 1976 EXPENDITURE (1976A) RATHER THAN A 1977P/1976R COMPARISON.

5. COMPARED TO 1976A, OF THE NINE GOVERNMENT AGENCIES (OUT OF A TOTAL OF APPROXIMATELY 25 OFFICES) THAT ACCOUNT

CONFIDENTIAL

PAGE 03      GEORGE 00100 171124Z

FOR 83 PERCENT OF THE GOG'S EXPENDITURES, FOUR AGENCIES WILL ABSORB MOST OF THE 1977 EXPENDITURE CUTS: WORKS, ENERGY AND NATURAL RESOURCES, AGRICULTURE, AND ECONOMIC DEVELOPMENT. ALSO, MOST OF THESE EXPENDITURE CUTS WILL OCCUR IN THE CAPITAL SECTOR. FINANCE (DEBT REPAYMENTS) AND EDUCATION WILL INCREASE EXPENDITURES. THE REMAINING THREE -- PRIME MINISTER (INCLUDING DEFENSE AND INTERNAL SECURITY), HEALTH AND HOME AFFAIRS -- SHOW ONLY MINOR FLUCTUATIONS. IT IS THESE REDUCTIONS IN EXPENDITURE IN THE PRODUCTIVE SECTORS OF THE ECONOMY THAT WILL HAVE THE MOST EFFECT ON THE 1977 ECONOMY.

6. WITHIN WORKS, CONTRACTED EXPENDITURES WILL RESULT IN DECREASED ROAD CONSTRUCTION AND RURAL ELECTRIFICATION PROJECTS. IN 1976, RURAL ROADS WERE NEGLECTED AS EXPENDITURES ROSE ON THE GEORGETOWN ACCESS ROADS, THE UPPER MAZARUNI ROAD AND THE CANJE BRIDGE. IN ENERGY AND NATURAL RESOURCES, DECREASED GOVERNMENT SUBSIDIES WILL INCREASE PRODUCTION COSTS AND CONSUMER PRICES. IN

ADDITION, THE PROPOSED CUT BACKS IN LOANS TO THE GUYANA ELECTRICITY CORPORATION WILL LIMIT EXPANSION OF AN ALREADY SCARCE COMMODITY -- ELECTRICITY. SOME CONTRACTION IN ACTIVITY ON THE UPPER MAZARUNI DEVELOPMENT PROJECT IS ALSO PLANNED. IT WILL BE DIFFICULT TO ACHIEVE THE MUCH DESIRED INCREASES IN AGRICULTURAL PRODUCTION IF EXPENDITURES ON IRRIGATION AND DRAINAGE AND EQUIPMENT PURCHASES ARE LIMITED AS PLANNED. MOREOVER, THE MINISTER OF ECONOMIC DEVELOPMENT'S VIRTUAL CURTAILMENT OF INDUSTRIAL DEVELOPMENT WILL DO LITTLE TO INCREASE THE PRODUCTIVE BASE OF THE ECONOMY OR TO IMPROVE THE UNEMPLOYMENT LEVEL ESTIMATED BY THE GOG AT SEVEN PERCENT AND BY THE OPPOSITION AT 20 TO 25 PERCENT.

7. ON THE REVENUE SIDE, THE GOVERNMENT APPEARS TO HAVE TAKEN A CAUTIOUS APPROACH TOWARD EXPORT EARNINGS. CONFIDENTIAL

CONFIDENTIAL

PAGE 04      GEORGE 00100 171124Z

WEATHER AND INDUSTRIAL RELATIONS ARE UNPREDICTABLE FACTORS, HOWEVER. THUS, EXPORT EARNINGS CAN GO EITHER WAY, PLUS OR MINUS. SEVERAL OTHER ENTRIES ON THE REVENUE SIDE, HOWEVER, APPEAR DUBIOUS. CAN THE GOG REALISTICALLY EXPECT TO RAISE INTERNALLY G\$30 MILLION IN DEBENTURES (AS STATED IN 1977 GOG ESTIMATES OF CURRENT AND CAPITAL EXPENDITURES) AS WELL AS FLOAT G\$30 MILLION IN DEFENSE BONDS? IT MIGHT ALSO BE UNREALISTIC FOR THE PUBLIC CORPORATIONS (GUYSTAC) NOT ONLY TO ABSORB DECREASED GOG SUBSIDIES WHILE COSTS INCREASE BUT TO STILL CONTRIBUTE G\$37 MILLION TO THE GOVERNMENT REVENUE. LESS IMPORTANT, IMPORT DUTIES AND CONSUMPTION TAX REVENUES ARE EXPECTED TO INCREASE. WHILE, AT THE SAME TIME, THE GOVERNMENT INTENDS TO LIMIT IMPORTS. OPTIMISTIC REVENUE EXPECTATIONS MAY LEAD THE GOG TO A LARGER 1977 BUDGET DEFICIT THAN CAN BE AFFORDED.

8. COMMENT: IN THE MIDST OF FAR FLUNG FACTS, REVISION UPON TOP OF REVISION AND FUNCTUATING INTERPRETATION, THE BASIC CONCEPTS OF THIS REPORT WERE CONCEIVED. ALREADY, HOWEVER, THE MINISTRY OF FINANCE IS REVISING SOME OF THE STATISTICAL DATA UPON WHICH THIS REPORT IS BASED. STILL, "WHILE THE FACTS MAY CHANGE," THE CIRCUMSTANCES REMAIN THE SAME. FOREIGN RESERVES ARE DEPLETED. REVENUES ARE UNCETAIN. EXPENDITURE COMMITMENTS, HOWEVER, MUST BE MET. THUS, GUYANA PROCEEDS ECONOMICALLY ALONG A TIGHT ROPE HOPING, THAT IN CASE OF A SLIP, SOME FRIENDLY COUNTRY WILL CAST A NET.

9. STATISTICAL TABLES BEING AIR POUCHED SEPARATELY. MCCOY

CONFIDENTIAL

NNN

## Message Attributes

**Automatic Decaptioning:** X  
**Capture Date:** 01-Jan-1994 12:00:00 am  
**Channel Indicators:** n/a  
**Current Classification:** UNCLASSIFIED  
**Concepts:** GOVERNMENT BUDGET  
**Control Number:** n/a  
**Copy:** SINGLE  
**Sent Date:** 14-Jan-1977 12:00:00 am  
**Decaption Date:** 01-Jan-1960 12:00:00 am  
**Decaption Note:**  
**Disposition Action:** RELEASED  
**Disposition Approved on Date:**  
**Disposition Case Number:** n/a  
**Disposition Comment:** 25 YEAR REVIEW  
**Disposition Date:** 22 May 2009  
**Disposition Event:**  
**Disposition History:** n/a  
**Disposition Reason:**  
**Disposition Remarks:**  
**Document Number:** 1977GEORGE00100  
**Document Source:** CORE  
**Document Unique ID:** 00  
**Drafter:** n/a  
**Enclosure:** n/a  
**Executive Order:** GS  
**Errors:** N/A  
**Expiration:**  
**Film Number:** D770016-0841  
**Format:** TEL  
**From:** GEORGETOWN  
**Handling Restrictions:** n/a  
**Image Path:**  
**ISecure:** 1  
**Legacy Key:** link1977/newtext/t19770152/aaaabten.tel  
**Line Count:** 170  
**Litigation Code IDs:**  
**Litigation Codes:**  
**Litigation History:**  
**Locator:** TEXT ON-LINE, ON MICROFILM  
**Message ID:** f9f404da-c288-dd11-92da-001cc4696bcc  
**Office:** ACTION ARA  
**Original Classification:** CONFIDENTIAL  
**Original Handling Restrictions:** n/a  
**Original Previous Classification:** n/a  
**Original Previous Handling Restrictions:** n/a  
**Page Count:** 4  
**Previous Channel Indicators:** n/a  
**Previous Classification:** CONFIDENTIAL  
**Previous Handling Restrictions:** n/a  
**Reference:** 77 GEORGETOWN 11  
**Retention:** 0  
**Review Action:** RELEASED, APPROVED  
**Review Content Flags:**  
**Review Date:** 30-Nov-2004 12:00:00 am  
**Review Event:**  
**Review Exemptions:** n/a  
**Review Media Identifier:**  
**Review Release Date:** n/a  
**Review Release Event:** n/a  
**Review Transfer Date:**  
**Review Withdrawn Fields:** n/a  
**SAS ID:** 3599298  
**Secure:** OPEN  
**Status:** NATIVE  
**Subject:** THE GOG BUDGET -- EITHER WAY IN 1977  
**TAGS:** EFIN, EAID, GY  
**To:** STATE  
**Type:** TE  
**vdkgvwkey:** odhc://SAS/SAS.dbo.SAS\_Docs/f9f404da-c288-dd11-92da-001cc4696bcc  
**Review Markings:**  
Margaret P. Grafeld  
Declassified/Released  
US Department of State  
EO Systematic Review  
22 May 2009  
**Markings:** Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 22 May 2009